PRESS ROUNDTABLE
U.S. TRADE REPRESENTATIVE ROBERT ZOELLICK
BOGOTA, COLOMBIA
AUGUST 8, 2002

James Williams, Public Affairs Officer:
Good morning ladies and gentlemen. Thank you very much for joining us this morning. We appreciate your being here very much, at this early hour. We especially thank U.S. Trade Representative Robert Zoellick for joining us this morning, along with other members of the U.S delegation to the inaugural, John Maisto from the NSC and Bernard Aronson, as well as Ambassador Patterson.

Mr. Zoellick will make a few introductory remarks before we start. All comments will be on the record this morning, unless otherwise specified. We are going to depart a little bit from our usual procedure and work this morning in English, only, but Maríía Cristina Torres is with us if anyone requires translation.

I would ask you please to identify yourself by name and media when we get started and if you would, please check your cell phones. Thank you very much.

Ambassador Robert Zoellick:

Well this shows the power of a free breakfast. I want to thank all of you for taking the time to come. I was going to give you a slightly fuller background to start. I have a strong personal interest in history and I honestly believe that this is going to be a very important moment in Colombian history. I had a chance this morning to see a number of your accounts about the coverage of the inaugural and obviously the focus on the tragic killings. And, while that's certainly very understandable, I will just give my two-cents worth. And that is, that I think it's easy to overlook what we also witnessed yesterday.

The idea for this really came to me from Congressman Barney Frank, who has been part of the delegation. He said in the meeting with then President-elect Uribe, that the biggest story about what's happening here is the triumph for democracy. I think he is right. Because if you think about what's happened in Colombia over the past months, the narco-terrorists tried to stop this election: they threatened mayors, they threatened legislators, they threatened the President, and they threatened the public. And they failed. Yesterday's tragedy clearly had another, larger purpose. That was trying to kill innocent people in an effort to stop the inauguration. For all the tragedy, they failed again.

I'll tell you a little bit more about my meeting with President Uribe, but just as a general point I come away with a sense of somebody who approaches this task with incredible courage and

frankly, as I've said to all the Colombians with whom I've met, at a personal level I have great respect. Because public service is sometimes not easy in any country, but you're not putting your life at risk everyday and that of your family.

I am extremely impressed with the strength of the team he has. I was counting this morning between my formal meetings and some of the conversations I had after the inauguration. I think I met eight members of the cabinet. It's a very impressive team. Having been in public service for about twenty years, in different capacities all over the world, I'll say that I was extremely struck by the fact that this is a group of people that comes to office with a set of ideas and plans about what they want to do. I'll share a little inside secret from being part of many U.S. transition teams, sometimes that doesn't happen on your first day. They have some very broad based policies that, at least in my sense are some of the coverage of Colombia, I haven't seen given much attention yet, I'll draw some examples of that.

I was also impressed with the support that I have seen from the Congress, and I'll give you a reason why I feel that. And it at least starts out with some very broad public support, not the least of which is the fact that you have a President elected on the first round with over 50%. As I understand, it's the first time in a very long time in Colombian history.

Everybody knows this is not going to be easy. So I'm not trying to paint an overly bright picture. But it's also the case that this is an example of democracy not being easily chased away by killers. And that democracy is not quite so fragile as everyone sometimes believes. I was very pleased that we had two members of Congress, Congressmen Frank, Democrat from Massachusetts and Souder, Republican from Indiana. Because as all of you know, the success of our policy on Colombia over any longer period of time depends on support from the Congress; everything from financial support to, frankly, the political support.

So I thought, with those general points, that I would describe a little bit of my work here and give you a little bit of an inside sense. One of the things I do when I go back is report to the President. And I will share with you some of the insights that I'll draw from.

First, I was pleased that yesterday morning I was invited to take part in President Pastrana's last official event. I worked with President Pastrana over the years. I have great respect for him. This was a group of business leaders. And to put this in a little bit of the historical context that I like, I recalled for that group the fact that four years ago when President Pastrana took office you had a country that was slipping into international isolation. Conditions were pretty bleak. The United States Government had sanctions.

There's an interesting contrast where I came to Colombia from a signing ceremony where President Bush signed not only the renewal of the Andean Trade Preference Act, but the expansion of it. We now have a situation where Colombia is the United States' third largest recipient of aid. The Congress just expanded the authorities that we have to try to help with Colombia's security. And I think one of the other legacies of President Pastrana's term is that

people now have a much better idea of what the FARC is and what it isn't. He made every effort to try to reach out for peace and they certainly rejected it. The ELN is much weaker. And at least from what I was able to pick up, there's some interesting developments in terms of the AUC and the paramilitaries, where you have part of the AUC now saying we are going to have to try to follow a political path. In a sense, they are drawing the lesson from the FARC's refusal to try to engage politically. One will have to watch how that goes, but all of this creates, in my view, a very interesting foundation.

I met, at that time, with the President-elect on Tuesday evening. As all of you, since you are down here covering this, would probably know, it was a rather long and substantive conversation. It was not just a ceremonial meeting. I started out, as I mentioned here, by telling him the respect that I have for his courage. Certainly it is a challenging task that he takes on. He had a very good meeting with President Bush in Washington in June. President Bush emphasized the strength of U.S. support for him.

We also talked about the things that people in the United States would look for to see whether Colombia was making progress. A lot of these fall under the rubric of the National Security Strategy that he plans to outline soon. And, as I mentioned, Americans will look to see whether there's an effort by not only the Colombian Government but by Colombian society, in terms of taking on this challenge. That includes, obviously, narcotics and terrorism and public safety. But it also includes the issues of human rights and the rule of law and some of the social development issues. I was very impressed that this was very much on Uribe's mind as he considers how to build public support. As you all identified, he has a term about democratic security which to me is kind of the encapsulation of where he wants to go.

We also talked somewhat about the economic dimensions of security. In that sense, I think at least for the Colombians, my participation in this inauguration carries a message and I am pleased that it does. Because I obviously come from the economic side not the security side. My own hunch is that it's not as well appreciated by outside observers the importance of the economic dimensions of what the President will be doing in his policy. At the most basic level, this is the question of resources for defense. But at a much more important level, this is a question about the strength of society and creating a sense of opportunity and hope. People are obviously starting with public safety but if you are dealing with moving people out of narcotics production or frankly these people struggling from coffee production, they are going to need to have a chance for alternative economic opportunities.

In that context, I'd like to say we planned it this way, but it's too much. The ability to have the ATPA signature right in advance of this inauguration comes at an excellent time. As probably all of you know, this is a piece of what we call preferential trade legislation, where the United States opens borders without tariffs and quotas for a wide range of goods. It dates back to 1991 when my colleague at that time Bernie Aronson and I were at the State Department. What people often don't recognize is that this covers some 5600 tariff lines already, which is a broad range of goods. This new legislation added over 700.

To give you a sense of what this means in real economic terms, the Colombian Ambassador to the United States, Luis Alberto Moreno, mentioned at our meeting with President Uribe that, because the way this legislation was drafted, the 1991 law expired in December of last year. So we tried to extend a period where we didn't collect duties but we didn't have the authority to keep doing that. So we've been collecting duties on these goods. Now, retroactively, all those duties will be returned. As Ambassador Moreno said that is about US $22 million that returns to people's pockets, right off the bat.

Just again to give you a little bit of granularity on this, U.S. imports from Colombia have been up over 155% since the ATPA was passed. The Colombians have reported that between 1992 and 1999, sorry I don't have more recent statistics, it generated about US $1.2 billion worth of output and that created about 140,000 direct jobs.

The example that I like to point to in the United States is the flower industry because it's a good way of pointing to a particular case. In 1965 the flower exports from Colombia amounted to the grand total of US $20,000. And now it's a US $600 million export business with about 75,000 direct jobs in Colombia. I might add there are a lot of jobs in the United States with bringing those flowers in and in the flower stores, as well. Of that US $600 million, about 85% goes to the United States.

I also talked briefly with the President about the ALCA, or the Free Trade Area of the Americas and the WTO, the Doha, because that's another area with our Trade Promotion Authority we hope to push forward.

I also wanted to meet with the business leaders. This was the event with President Pastrana. In March of this year, I went to a Conference that was organized by my former colleague Marta Lucíía Ramíírez who is now the new Defense Minister. This is a Conference that has basically tried to upgrade the competitiveness and productivity of the Colombian business sector. I wanted to try to come to show support. I was frankly amazed that there were over 900 business entrepreneurs who came to this conference. These were people who were doing business under obvious extremely difficult circumstances. They demonstrated the entrepreneurial spirit that frankly led Colombia to have one of the best economic records in South America, prior to the past couple of years. And obviously this is a group that is extremely excited about the benefits of the ATPA expansion, whether they are in apparel or leather or other areas.

But I went for another reason, and that is I wanted to convey a message that, from the U.S. perspective, President Uribe's success would obviously not just depend on people passing laws or what the military does or what the Government does. But it depended what they in the business community did. He is going to be asking for resources and that means things like taxes. But it also means that the faith that they show in their own society will be important in terms of how foreign investors and others look at this society. So, it was a message where I was trying to offer the opportunity of ATPA but also urge them to recognize that they had responsibilities in

this.

I then also met with members of the new economic team. Here we got into more depth about trade issues, financial issues, and development issues. And again, without revealing what the Colombian Government is going to do, they gave me a good sense of some of the things they were looking at. I would just say that one of the messages I bring back and report to President Bush and my colleagues is to keep a close watch on the political economy dimension of what President Uribe is seeking to do, because there are some very interesting ideas here. And also there are challenges, obviously, in terms of the financial picture going forward.

Then the Ambassador arranged a lunch with members of the Congress. I spoke to a lot of them before hand and then made some remarks. But I had at my table the President of the House and the Senate. Here I really wanted tolisten and to learn more, to get their sense from the Congressional side of President Uribe's approach. And frankly, this was one of the reasons that I came away with the sense that there is some pretty broad based support as he starts out. One of my messages to them was that this is obviously one of the Hemisphere's oldest democracies. It's totally appropriate that people debate their challenging issues. But people in the United States will also be looking for action and to see how the Government can proceed.

While I was doing these things I just want to draw attention to the fact that we also wanted to convey a broader message. So my colleague, Undersecretary of State Paula Dobriansky, also met with members of the NGO community and human rights community, primarily women's based groups, and also a group of internally displaced persons where there is an AID program to help these people. Without getting into all the details she relayed to me some of the stories, and they are pretty touching stories about people are trying to do to get their lives back together and contribute to their families.

While here, I also took opportunities to meet a number of the other leaders from Latin America. I had a good session with the Central Americans, a combination of Presidents and Ministers. As you probably know, they are extremely excited about the prospect of initiating our Central America Free Trade Agreement. I met with President Duhalde of Argentina. I talked to my Peruvian Ministerial colleagues. After this meeting, before I go, I'm going to meet with the President of Panama.

In general, there is a real excitement about what we might be able to do on the trade agenda. What I want to focus your attention on is that a lot of people have focused on the Trade Promotion Authority, the ability to negotiate and the Andean Trade Preference Act. But there are a lot of other benefits in this legislation. There is something called the renewal of the Generalized System of Preferences, which is for over a 100 developing countries. Just to give you a sense of what that means in real terms to real people here, one of the subjects that I talked about with President Duhalde, was the fact that, in addition to putting those preferences back in place, we will now start to conduct a review about whether we grant additional preferences. I told him I had some ideas that might be of help to Argentina, some market opening measures,

and his Foreign Minister Rukof mentioned to me that they had already been working with my staff and started to submit some of their ideas.

In the case of the Central Americans there is some expansion for benefits in apparel for the Caribbean and Central American countries, as well. Not directly applicable to this audience, but there is also some for Africa, because I was talking to my office, the Africans are very pleased to this. So there are a number of market opening measures even before we start to negotiate these agreements.

I am exceptionally pleased because it is a great message to take around the world, but particularly the Western Hemisphere at this time. As all of you know this is a region that looked very positively upon President Bush given his familiarity with it, the early Summit of the Americas. Frankly, it has taken us a lot of work, over eighteen months, to take the trade momentum back going, getting the Doha round launched. This November I'll have my second ministerial with the ALCA, which is a very important priority of ours. And now with the Trade Promotion Authority I expect we'll finish the Chile Free Trade Agreement this year. We'll launch the Central American Free Trade Agreement. And, as you would suspect, I have no shortage of other countries in the region that are interested in talking to us about free trade.

We are trying to channel that into the Free Trade Area of the Americas. But we are also open to try to help countries more generally. Because, just so you have my perspective on this, I don't only see these just as trade issues. I see these as questions and issues of development and reform in a lot of these societies. To take the case of Central America, Bernie and I worked on the struggles of Central America in the late eighties and the early nineties in El Salvador, Nicaragua. At that time - but I wasn't at USTR, I was at State Department - I wanted to launch a Free Trade Agreement to help consolidate that. And so I am a little late on the scene, but nevertheless, the whole point of this is that one of the messages that, for example, I got from the President of Honduras was how important this is with their own integration efforts. That's why we are doing it with the five together, to say nothing to support of their democracy.

One point that President Bush and I and my colleagues will continue to hammer home is that there is not one developing country that has been able to move out of the depths of poverty without opening its markets. The World Bank research has shown that, the history of the past twenty or thirty years has shown that. That doesn't mean you don't have to help countries; you do. And I work very closely with the IDB Enrique Iglesias to help some of these countries make the adjustment. But it's the formula for trying to help development in the region.

Last and final comment I want to make is to thank the Ambassador and her staff. I haven't had the chance to this, but I do want to do this publicly because they not only did a superb job for our visit but they do a superb job every day. They obviously operate under very trying and difficult circumstances. So it's been a real, proud pleasure to a have a chance to work with you.

So, I am happy to take your questions.

Steve Salisbury - Washington Times:
One of the biggest crops here is coffee. Now the prices of coffee are here very depressed. But, the complaints that I get from the people in the coffee industry, from the pickers all the way up to the top people who are exporting, is that, with our prices depressed to some of the worst levels in years, how can we push that up. And even when they do push that up sometimes they don't see all the benefit of what they believe they should be receiving because they have these multinational companies that somehow take a larger share of it. With this new trade preference that Colombians have, how can it happen where they can boost the coffee industry and other legal industries? And I'll let you answer that first and others may have questions, but I have another question afterwards.

Ambassador Zoellick:
This is an issue that people have been bringing to my attention over the course of my tenure, and so I've tried to look at some of the data, and you're exactly right. If you look at coffee prices, they've really fallen from at least historic levels. It's partly driven by, again other good things happening. It's been driven by production in Vietnam, now a big coffee producer. There's increased production coming out of Brazil as well. And, you know the first efforts, not surprisingly, of people in various, and this is a big issue for Central America as well as Colombia, was to kind of say well -- how can we go back to try to create some of the international coffee organizations? Cartels just won't work.

So, what we have discussed, and I did discuss this with some of the economic team on this trip as well with the Central Americans, is we're trying to work with countries. Colombia and Central America I think have some good opportunities to try to target a set of higher value added aspect of the production chain. What's happening in the United States is that it's no longer just coffee, there are different types of coffee; you're marketing brands, you're marketing value. God knows, since I go to Starbucks all the time, what I pay for a cup of coffee! So, people are willing to pay for things that have some additional value related to the marketing and the quality. And, so what I think that a number of the countries are trying to do is upgrade the quality, to try to do that, to sort of add to their brand name. We've been having some discussions with them and we also have some AID projects related to that.

The other side of that, and this is a big point for Colombia, is that there will be coffee producers that no longer can operate. In fact, one of the points that President Uribe mentioned was how there may be some opportunities to do things on the environmental side with these producers and frankly take some of the coffee growing land and return it to some of the ecological sort of aspects that it had before. To do that you need help, and that help means either some financial transition help, or it also means frankly giving people alternative jobs. And this is where the flower industry example is a good one. If people aren't going to produce drugs or coffee, they are going to produce something else, and flowers have proven to be a pretty good business; there may be some in the apparel industry. It's just like in the United States. Sometimes you can help to sort of reorient a industry. But on the other hand sometimes industries have to go through

transitions, and then the question is where do you move people into other productive work.

John Otis, Houston Chronicle:
It's not just Colombia, with the shootings yesterday, that's in a lot of trouble. All South America seems to be entering some sort of crisis, either political or economic. Despite interest in free trade deals among a lot of countries, on the street level there's also a lot of growing resentment against globalization. A lot of people blame it for their problems. The optimism for the region, you mentioned that some of the Americas a number of years back, the optimism really sort of seems to be diminished now. I'm interested in your reflections on the regional crisis.

Ambassador Zoellick:
Well, without replaying some of the speeches, which you can get on my website if you want, what you've seen over the course of the decade is some tremendous progress, if you look at inflation, if you look at some of the improved growth rates, and you look at some of the income statistics, and the export statistics. But, what I was starting to point out from taking office was that there's going to be a challenge of a second stage of reforms, in some ways a challenge that runs deeper because some of them go to the institutional nature. It's not just macroeconomic reforms. It's a question, even as I was suggesting to the business community here, of all aspects of the society taking responsibility for their future. Some of it is rule of law, it's corruption issues. In a number of Latin American societies, the old party structures are breaking down. In some there's a new model taking place, in some it's still very fluid. As many of you know, since you're specialist in this, some of these parties date back one hundred years, one-hundred-fifty years, and some of that is breaking down. Ultimately, that's going to be the responsibility of the political leaders in the region, and obviously you're having varying records. Let's take Brazil, which is a big case. I have great respect for President Cardoso, I consider Minister Lafer to be a close friend. If you look at what Brazil has done it's our reorientation over eight years, it's nothing short of tremendous. On the other hand, do they still have problems yet? You bet.

Now, so what can the United States do? Part of the answer is to support those who are good performers, either in trade or financially or in other ways. And you've seen some recent examples of that. President Batlle of Uruguay, obviously was a country overwhelmed by a things in their neighborhood. And so what we did over the past couple of weeks, and I was part of this as well, is to say if they can focus on reorienting the banking system, and cleaning up the banking system, then you try to give them financial support because a lot of the problems they were running into were do to problems in their neighbor's. You saw the news today about Brazil. Brazil has had a first trade-financial team. Now, will that alone solve the problem? No, there are standards in that, and they're going to have to maintain it, and this will be a question for the Brazilian public as they choose their next leaders, and those next leaders. But we can show that if you take the difficult steps we'll try to support you. It's part of the message of me being here in Colombia, the message of trade and the economy.

Let me take one other twist of that wheel. Look at the countries in Latin America that have frankly not suffered tremendously under this most recent wave: Mexico. Mexico is a country that

opened itself, wasn't even a member of the GATT in 1986. NAFTA obviously was an incredible boost in this. If you go back and you look at the 1982 financial crisis and the 1994 crisis it took seven years after the '82 crisis for Mexicans to be able to borrow IN international markets again, after '94 it took seven months, okay, and that's partly the nature of the change of Mexican society, and that's partly the nature of frankly what happened with NAFTA. And, at the same time you created a democracy in Mexico.

Let's look at the case of Chile. Chile has been a good performer, and Chile hasn't been hammered. I've been particularly eager to conclude that free trade agreement with Chile, and now we will do so.

So, there are examples in the system, and the examples of those who can withstand it the best are frankly those that have done the most. So, at the end of the day, these are democracies. They have to manage to gain political support for difficult challenges. In some countries it's a question of security, as it is here. In some countries it's a question of trust in the political class. That's something that has to be solved at home. In some countries it's going to be a question of what happens in their neighborhood, and those, again, we can try to help by strengthening the neighborhood.

In Latin America, as in Asia, as in Africa, there's no one formula. You can try to create the conditions and the opportunities. I believe that the steps that was taken in the nineties, after the lost decade of the eighties, weretremendous. It's not surprising that you would start to run into difficulties. A lot of this will depend on the strength of the U.S. recovery, and this is true in much of the world. Frankly, as I talked to my friends in Europe and others, it's why it wouldn't be such a bad thing if we have additional engines of growth in other parts of the world, as well.

It's a big question, and I've tried to give you a little flavor of the pieces, and if there are other elements specific I'd be pleased to follow-up. I just don't want to give you a full speech.

James Wilson, Financial Times:
Just following up on those points, what precisely can the U.S. put on the table in terms of FTAA negotiations to make it seem to these countries that they are going to get a good deal out of the Free Trade Area of the Americas? The U.S. has already rejected agricultural opening if it's not going to happen in the context of WTO. Textile liberalization seems to be off the agenda. So, where are the carrots, if you like, that you can find to attract these countries into this feeling that they can make progress under the FTAA?

Ambassador Zoellick:
Well, rather than just look at words let's look at deeds. One of the reasons I tried to give you a little bit more of the detail about the ATPA and the GSP, and others, and things you may not even have known about related to this most recent legislation with the Caribbean Basin Act, is that there are expansions in the exact areas which you've mentioned. For example, we have added to the apparel provisions under the ATPA, not just with U.S. fabrics but with local fabrics.

The Peruvians were actually delighted because we made some special efforts to do some things with "vacuna" and "llama" and others that are important products frankly for some of their poorer aspects of society. I believe there is a record already in terms of the current textiles. The same in terms of agricultural. If you look at these segments here, the preferential trade agreements that we've offered, the preferential trade legislation, offers a lot of opportunity in agriculture.

Now, bigger stage agriculture. The same week that we got the successful house vote for TPA, we put forward a very bold and far reaching proposal in terms of cutting agriculture subsidies and tariffs. And I draw your attention to that, because, look, all of you cover government, there were certainly debates within our own Government to say - well, look, we're just on the edge of getting TPA why should we stir the waters? It was my view and the view that prevailed that said no, we actually want to emphasize how we are using TPA, and where we are trying to move forward in agricultural liberalization.

What was striking about that proposal was not just the Administration comes out with a proposal; you can do that any day. The question was that we had good support from farm state Congressmen and the farm groups in general. Now, to kind of further disaggregate your point on agriculture, we are willing to do reductions in tariffs as part of the Free Trade Area of the Americas, as well as the major reductions in subsidies and tariffs and of course this part of the WTO, and as you know we pay for full elimination of exports subsidies. What we've said in the FTA context is we can't cut our internal subsidies alone, eliminate the internal subsidies, unless we do in a global context where the Europeans that have three times the level, and the Japanese that are higher than us also cut. And this is where the deadlines of the FTAA and the Doha are not accidental; both of them are supposed to be done by January 1, 2005.

On agricultural right now there's already tariff reduction to the preferences. There's an additional tariff reduction to the GSP. We will take on these issues in the free trade agreements. You can bet the agreement with Chile we are negotiating right now has agricultural sensitivities. But I also would turn the clock back in this sense: one of the issues we have to deal with in Latin America is Colombia, and this is true as Chile, have something called the price-BAND system, which is a very interesting form of agricultural tariff. Basically it means that if the price goes down the tariff goes up, and so it's kind of heads you win tails we lose. It's been ruled in the Chilean case, the WTO has ruled against this. Well, here's my mission too. If I'm to open U.S. markets, which I believe I can do, I can only do so if I get people elsewhere to open their markets, which after all is not so bad for their consumers. And that's what negotiators do.

So, I believe, and all I can tell you on this is again the messages that I've gotten from around the world, that the combination of the trade legislation, the preference legislation plus TPA, plus what we are doing on free trade agreements, gives us a pretty good hand about willingness to negotiate and go forward. Do we have sensitive items? You bet, of course we do. My position has been very clear and straightforward. Some people can debate this in the press, and they can say we will and you won’t, so on and so forth I say let's talk about it at the negotiating table, I'm willing to move if you're willing to move. And, as I've said I have no shortage to people when

they come up to me to take us up on that offer.

T. Christian Miller, Los Angels Times:
I'm wondering if you discussed with Uribe and his team the cost of his various reform proposals and his idea to pay for those, and what you thought of how well they finally were, how collective they were to actually be able to pay for this cost?

Ambassador Zoellick:
Well, I did have some general discussions of those. Obviously it is most appropriate for me to allow him to put forward his proposals. I would just say at this level that there's certainly recognition for some of the things that he wants to expand, in terms of security and in terms of some of his social plans that will require additional revenues, and so you will undoubtedly hear from him about that. You can also see that he's trying to cut back on some costs in areas. There are aspects of Colombian bureaucracy, as he describes society, that maybe could be run more efficiently. His new Finance Minister was Finance Minister 1984-1985 when I was just starting at the Treasury Department, as you know he was representative of Colombia to the IMF, he's a person very well regarded. We talked about some of the other issues in terms of financial and debt issues that will be important for them going forward, and those are some of the other issues that I will take back, and I hope we can work on with them, with the Fund, the Bank, the IDB, and others.

T. Christian Miller, Los Angels Times:
Do you leave with the impression you are sort of confident that what he is doing he will be able to pay for what he's proposing?

Ambassador Zoellick:
I'm not sure I got into that level of detail. I was pleased that the level of detail that the economic team as well as the President was into was already quite substantial. The Economic Minister told me that Uribe had wanted a plan on his desk by inauguration day, and it may be a couple of days late, but he was describing to me some of that. This is not somebody who's going to then sit down at his desk the first day and kind of take out the pen and start to look at the numbers. They're well developed in it. I'm not trying to take a sunny-side view of all this, obviously you got an economy that is under difficult circumstances, you're in the midst of fighting a war against terrorists, and obviously it's not the most conducive environment for foreign investment. So, there are challenges ahead. But I was impressed with the seriousness of the people taking them on. And part of my message was, in addition to trade, is things that I think Colombia and others can do to improve the investment environment on the economic side. There's only so much I can do on the security side.

I'll give you another example. I talked briefly with the Mining Minister who's coming in. I was pleased that a number of the U.S. energy firms have got the foresight that they are actually truing to do some social programs in the areas in which they have their drilling and their pipelines. This is not only sensible corporate social responsibility. But it actually creates the context where

people in those areas will say an attack on these facilities hurts us. This to me is the example of what Uribe is talking about in trying to get the society focused on this threat. Again, this is your job not mine but there's a way in when some times this comes across, at least my sense in the reporting, a kind of a sort of security nature of this society that I don't think represents what he's trying to do. I think what he's trying to do is get everybody in Colombia to recognize they have a stake in beating these people. They're murders, and they're exactly right, they're undermining the economy. I think that's a wise idea.

Robert Willis, Bloomberg News:
How do you view this Council of State ruling on Sithe Energies and can it at this level, point, and time affect ATPA privileges for Colombia? I also understand there are other conditions to these ATPA privileges: anti-terror, patent type elements. Can you discuss those as well?

Ambassador Zoellick:
Sure. The original Andean Trade Preference Act had criteria that were applied. The new Act added eight additional criteria, and they include some of the things that you mentioned. I mentioned these briefly to the President elect, now the President, because I wanted to let him know how important they were. And I discussed them in greater detail with the economic team.

Now, just so you kind of have the details. When President Bush signed the bill into law, the preferences that were part of the prior law were immediately renewed, and immediately renewed retroactively. The new preferences, the 700 some items that I mentioned don't go into effect until we have completed an evaluation of these criteria. Under the U.S. system I hope we can do this relatively quickly, a matter of two or three months I hope. We have to publish a notice in the Federal Register and get comments. We know the issues that I think most people are going to be focusing on. So we have been working with the governments about these, and there are issues in each of the Andean countries.

In the case of Colombia there are some intellectual property issues that are very important to us; I highlighted some across the range, some dealing with data protection of pharmaceuticals, some dealing with software. One of the things that I mentioned was the importance of having a government decree and implementation about the government itself would only use authorized software as a way of moving that forward in society. There are labor standards issues that are primarily related to ILO. Some of these are natural for the Colombian Government to be focusing on because they are violence against trade union leaders, and the whole nature of what he's trying to do is to create an environment of public safety.

And, there are investment issues and investment disputes. The one that frankly I'm very pleased we've had some progress on is NORTEL. As you may know, there has been a process of arbitration and some of the payments have already been agreed to, there's a series of contracts. In the case of Sithe, you had an arbitration decision and then you had a court decision. We are still looking through the court decision and examining it, and as I know the Colombians are as well. What we've emphasized and what our law emphasizes is that we need fair treatment and due

process. Obviously we also respect legal systems but we want to try to help companies to make sure they get fair treatment. There was a bigger point here, which goes back to one of your questions, was to say - look, if you want to create the right investment environment you have to treat foreign investors right. One of my favorite little aphorisms is capital is a coward; it doesn't go where it is not wanted. Obviously there are already dangers here. If you want to create an environment it's up to you to create the environment that draws capital.

Maria Teresa Ronderos, Semana:
We are in something of a vicious circle here. Every time President Uribe talks strongly about political change, there's a lot of scare in international markets that maybe instability will come around, that we would have new elections in two years, probably. At the same time if we don't make the political changes we need we will never get the security problem solved or the economic problem solved. Is there anything that the U.S. can do in the sense that Colombia is given the time to make it's political changes?

Ambassador Zoellick:
Well, first off. I think part of this will depend on how Colombia proceeds with it. There was a question I was asking the head of the Senate, and the head of the House, without revealing private conversations, I was more encouraged then I expected to be because, again having been used to political systems, people are normally not willing to vote themselves out of jobs. But there seems to be recognition again of the seriousness of this moment in taking on this question that the President presented with the referendum, changing the nature of the congressional system.

The second point, that will be important, is that Colombia needs to tell its own story abroad. This is a message that I relayed. President Uribe already demonstrated when he came up to Washington. President Pastrana did an excellent job at this. President Pastrana is a very well respected figure, in the Congress and with others. I was delighted to hear that he is also willing to continue to help. Ambassador Moreno does a super job. One of the things that I was talking about was some of the new ministers, some of whom I've known before, is that, and I apologized for this to them, part of their job has to also be to explain things in the United States. They are the best representatives of Colombia. Speaking a little bit from a U.S. frame of reference it's a very impressive group. There are a lot of women ministers in this, a lot of educated people who have had a good track record that I think they'll present very well in the United States. So it's partly that story.

What else do we do? Well. As I said, Colombia is our third largest recipient of aid, and we are moving forward some things on the trade side, and we are trying to help in security and enhance security. So, we can try to help create the environment in which Colombians can help themselves. Obviously, we can also try to help make the case in terms of the interlocked nature of these reforms. One reason that I was trying to outline today is that it's natural; everybody is focusing on this security side. They look at President Uribe and his message in terms of security and order. But, what I came away with in talking to him and his people is that there is a very

complementary message here in terms of economic growth and opportunity and political reform. Going back to your question about sort of the nature of support in society, he's trying to tackle sort the question that you were addressing. I was asking things about the municipalities, and how they operate in the system, and where they get their money, and he's trying to tackle those questions too. And these run throughout Latin America, that's part of the problem in Argentina, the role of the provinces versus the central government; it's part of the problem that Brazil tackled. So, he's got an integrated plan here, and part of it will be to explain to a larger public how the pieces fit together. At least I think I semi understand it.

Scott Wilson, Washington Post:
You noted several times that security is a key part of what is undermining the economy here, the threat to security. What more can the United States do to help Colombia in that regard. If you're asked, when you are reporting back to Washington, what you would recommend, what would you recommend?

Ambassador Zoellick:
Well, you won't be too shocked, Scott, that I'm supposed to give my recommendations to the President first, not you, but... (laughter) ... I'm sure he wouldn't mind but formalities are formalities, I have some modest interest in keeping my job.

I see this actually in the same framework that President Uribe sees it, in this sense: I think that the help that we are giving to the Colombian military to take on the issues of mobility, the strengthened battalions, that's answering the problem in a real way. There is money that we are trying to seek from the Congress this year, added money, that also goes to some of the issues like protection of the pipeline. That's economic and that's security. If you can combine that with reporting on what some of the private sector companies are doing in the way I said that, that's another good element. So, there are things that we can try to do directly on the security side.

Secondly, at the micro level that I have to deal with, I have to work through some of these issues with the Colombians so we can move forward these additional benefits. On the larger economic side I think one of the things that I'll talk with my colleagues at the Treasury about is that it will be important to try to help in the Colombian financial system as we go forward. If you look at their financial profile going ahead and their borrowing and international borrowing there are ways that we can try to help them with the international financial institutions as Treasury has just done with Uruguay, Brazil, and others. So, there are ways we can facilitate the actions that they take.

I'll tell you this much because I was thinking about the little note I'll have to write the President first, is that a key point for me is the integrated nature of these reforms. And, the key point is how important the economic ones are going to be to the success of security ones, and try to get a little bit better understanding having been here on the scene about how the political reforms are also connected to it. It's easy, you're in Washington, you're dealing with countries around the world, just as you do when you have to write for an editor certain number of paragraphs or focus

on a lead to focus on one or two key elements. In this case it's an integrated picture.

Moderator:
We have time for one final question.

Steve Salisbury, Washington Times:
I'll double dip....

Ambassador Zoellick:
I really should try to make sure that everyone else has had a chance, anyone from Colombia, no? Ok, you're free.

Steve Salisbury, Washington Times:
One big industry here is the drug industry, and it really hasn't come up in this conversation yet. First of all I would like to know have you looked well into this to see how the drug industry has distorted other industries here in Colombia for exporting? Also, do you have any figures or any idea what is the volume of the drug industry, for instance how does it dislocate other industries? How can we in the United States, for instance when we have our problems with Enrons and Worldcoms, and you come over and you give a very persuasive case but maybe some people overseas will say - well, wait a minute United States, in your private sector you too have these Enrons and these Worldcoms and how does this all connect?

Ambassador Zoellick:
Let me just touch on the last one and then I'll try to do the first one. One of the things that actually is the fundamental strength of the U.S. economic system is the fact that while there can be delays in it, it's a pretty open and transparent system. So, the problems get out in public view, and I don't think anybody would suggest that there not subject to scrutiny from all sides, and then the system fixes it. You partly do that through legislation, and you partly do that happens in corporate boardrooms. Right now, if you are on an audit committee, or a CEO boardroom, and the things that you now have to val and certify, the self-corrective measures are already in work. The reason I mentioned that is I'm now, I don't feel all that old but I'm getting old I have to recognize, in the 1980's there was this big thing about -- Oh, the United States is on its back, it's not going to recover - and, in sense that debate was part of what regenerated the U.S. economy. Let me draw the contrast; Japan. Japan is not a transparent system, and it has been struggling through the nineties because it won't open itself up this change, so that's a longer topic. Put it this way, am I still bullish on the U.S. economy over the long term? Yes. Do I find many countries around the world saying -Oh, gee, we don't want to deal with the U.S. economy because of your problems? No. Do they want to have trade agreements with us? Yes. So, that dynamic I think is going to happen. On the first one, John Walters is here, the head of our drug effort. Obviously, the numbers that I have seen or shown is how important Colombia has been in terms of a producer, in terms of cocaine in particular. Part of the problem on this is frankly, our responsibility not theirs. Americans use the drugs, and this is partly a question of demand reduction. What I take in your question is the bigger point that I talked about with some of my

colleagues here. I think that years ago the Colombian political class and business class made a huge mistake. They thought they could have a separate narcotics society that wouldn't be connected to the regular society, and they saw that didn't happen, and part of what President Pastrana was about was reversing that course. Not, te reverse it requires a lot of things. It requires aerial spraying policies, it requires going after the thugs whether it be the AUC, or the FARC that live off this stuff. But, it also requires, as President Uribe said, is how do you help these people who had the economic interest in producing coca leafs to turn to something else. And, that's probably where the trade aspects come in. So, yes it has been a cancer around the society, and that clearly has been a critical aspect of the problem, and so you cannot deal with these questions without dealing with narcotics trafficking, the corruption that it creates and the killings that it creates. Again, my view is that, looking a little bit into the historical stream, what was really dangerous four years ago, as you had a Colombian political class that was still in a state of denial, it’s no longer in that. The past four years of the Pastrana administration has turned that around. Now the challenges that President Uribe has is drawing the society together to take on these people who live off drugs and violence.

Thank you.